

NOTES TO FINANCIAL STATEMENTS

Note 2. CASH AND CASH EQUIVALENTS

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits, and certificates of deposits. Under state law, the Louisiana State Board of Medical Examiners may deposit funds within a fiscal agent selected and designated by the Interim Emergency Board. Further, the Louisiana State Board of Medical Examiners may invest in time certificates of deposit of state banks organized under Louisiana law, and national banks having principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificates accounts of federally or state chartered credit unions.

At December 31, 1995, the carrying amount of the Louisiana State Board of Medical Examiners' cash and cash equivalents was \$1,322,212. Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. The deposits at December 31, 1995, were secured as follows:

Deposits and investments are carried at cost and consist of the following:

	December 31, 1995	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Deposits:		
Insured (FDIC, NCUA OR FSLIC)	\$ 200,000	\$ 200,000
Uninsured: Collateral held by the pledging bank's trust department or the pledging bank's agent in the Board's name....	<u>2,122,212</u>	<u>3,199,482</u>
Total deposits	<u>\$2,322,212</u>	<u>\$3,399,482</u>

The carrying amount is included on the balance sheet under the following captions:

Cash	\$1,322,212
Marketable Securities	<u>1,000,000</u>
	<u>\$2,322,212</u>

NOTES TO FINANCIAL STATEMENTS

Note 3. CHANGES IN GENERAL FIXED ASSETS: The Board purchased its building in July 1994 and occupied it in May 1995.

	Balance December <u>31, 1994</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	Balance December <u>31, 1995</u>
Land & Building	982,679	-	-	982,679
Building Improvements	-	579,147	-	579,147
Equipment:				
Office Equipment	207,500	92,633	-	300,133
Office Furniture	193,503	82,516	-	256,019
Vehicles	-	-	-	-
Total	<u>\$1,383,682</u>	<u>754,296</u>	<u>-</u>	<u>\$2,137,978</u>

Note 4. COMPENSATED ABSENCES

Accumulated annual leave is accrued in the accompanying financial statements. The Board's employees accumulate unlimited amounts of annual and sick leave at varying rates, as established by state regulations. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave is credited as earned service in computing retirement benefits. The current portion is recorded as a liability in the General Fund and represents the amount unpaid at December 31, 1995, which would normally be liquidated with expendable available financial resources.

Accumulated annual leave at December 31, 1994	\$ 39,341
Leave earned	34,780
Leave paid	(29,597)
	-----
Accumulated annual leave at December 31, 1995	\$ 44,524
Less Current portion	(15,725)
Long term compensated absences payable	\$ 28,799
	=====

Note 5. PENSION PLAN

The employees of the Board are members of the Louisiana State Employees Retirement System ("System"), a multiple-employer, public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of state employees, which is administered and controlled by a separate board of trustees. For the year ended December 31, 1995, the Board's total payroll was \$591,112, and its payroll covered by the System was \$472,834.

## NOTES TO FINANCIAL STATEMENTS

All full-time Board employees, who began state employment prior to age 60, are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to 2.5 per cent of their highest consecutive 36 months average salary multiplied by their years of credited service plus \$300 for employees hired before July 31, 1986. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. The System also provides death and disability benefits. Benefits are established by state statute.

Covered employees were required to contribute 7.5% of gross salary to the plan. The Board added an 11.9% contribution for the period January 1, 1995 through June 30, 1995 and 12% for the period July 1, 1995 through December 31, 1995.

Contribution requirements to the System are set by Statute and differ from the contribution requirement determined using actuarial methods. The amount of contributions made during the year ending June 30, 1995, from employees and employers was \$123,370,058 and \$191,640,907, respectively, or approximately 7% and 11.9% of covered payroll of \$1,610,375,003 for a total contribution of \$315,010,965 which is approximately 19.57% of covered payroll.

The actuarially determined annual employer-contribution recommended by the System's actuary to cover normal cost for the year ending June 30, 1995, using the Projected Unit Credit cost method was approximately \$207,951,158.

The statutorily required contribution by the Board for the year ended December 31, 1995, was \$91,967, which consisted of \$56,504 as the employer contribution and \$35,463 from covered employees. The actual contribution made to the System by the Board was \$88,462, which consisted of \$54,399 as the employer contribution and \$34,063 as the employees' contributions.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated benefits, estimated to be a payable in the future as a result of employee service to date. The measure, which is the actuarial present value of projected credited benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers.

## NOTES TO FINANCIAL STATEMENTS

As of June 30, 1995, the pension benefit obligation was \$5,696,909,256, and the value of the System's assets is \$3,589,501,958, leaving an unfunded pension benefit obligation of \$2,107,407,298.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's 1995 component unit financial report. Benefits granted by the System are guaranteed by the state of Louisiana under the 1974 Louisiana Constitution.

### Note 6. POSTRETIREMENT COMMITMENTS

The Louisiana State Board of Medical Examiners provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Board employees become eligible for those benefits if they reach normal retirement age while working for the Board. Those benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly (50%) by the employee and by the Board. The Board's cost of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year end December 31, 1995 the Louisiana State Board of Medical Examiners provided retirement benefits for 2 retired employees and the costs of these retiree benefits totaled \$ 693.

### Note 7. RELATED PARTY TRANSACTIONS

There were no related party transactions during 1995.

### Note 8. LEASES

During 1995, the Louisiana State Board of Medical Examiners leased office space under an operating lease which expired in June 1992. Subsequent to June 1992 the Board entered into a month to month lease for its office space. The lease expenditure for the year ended December 31, 1995 was \$24,401. This lease is no longer in effect since the Board occupied its own office building in 1995.

The Board inherited a tenant under an existing lease when it purchased its building. The Board leases office space to the Italian Consulate at the rate of \$42,000 per year. The existing lease was effective June 21, 1988 and was amended October 1, 1993. It extends through July 31, 1996. The lease is cancelable by either party upon giving six (6) months notice. During 1995 the Board collected \$42,000 in rent payments from the Consulate.

#### Note 9. INSPECTOR GENERAL'S INVESTIGATION

A former employee of the Board is under investigation by the Louisiana State Inspector General's office for unauthorized expenditures of Board funds. The Inspector General is questioning \$24,296 of expenditures the employee made from 1995 and \$27,765 from 1994. The Inspector General has questioned expenditures dating from 1987 through 1995 totalling \$126,919.

#### NOTE 10. SUBSEQUENT EVENTS

During the May 1995 flood the Board experienced damages to property and equipment. The Board did not file timely claims with the Office of Risk Management and was unable to recover any of these damages.

#### NOTE 11. PRIOR PERIOD ADJUSTMENTS (CORRECTIONS OF ERRORS)

The adjustment for the year ended December 31, 1994 was necessary because reversals of accruals to deferred revenue and accounts payable at December 31, 1993 were not properly made.

The adjustment at December 31, 1995 was the net result of closing the December 1994 estimated liability, Escrows Payable, to fund balance (\$141,653) and correction of an adjustment to the fixed asset account.

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

## GENERAL FUND

The general fund is used to account for resources, traditionally associated with governments, which are not required to be accounted for in another fund.

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS  
DEPARTMENT OF HEALTH AND HOSPITALS  
GENERAL FUND

BALANCE SHEETS  
December 31, 1995 and 1994

	1995	1994
<b>ASSETS</b>		
Cash	\$ 1,130,023	\$ 800,468
Investments	1,000,000	1,621,562
Accrued Interest	7,612	5,530
NSF Checks and Foreign Items	0	13,113
Prepaid Insurance		
Due From Special Revenue Fund	20,600	200
Other Assets	19,556	11,750
	\$ 2,177,791	\$ 2,452,623
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 121,133	\$ 60,253
Escrow Account	0	141,653
Payroll Taxes Payable	4,784	13,124
Wages Payable	0	19,665
Deferred revenues	1,305,605	977,825
Compensated Absences	15,725	12,971
	\$ 1,447,247	\$ 1,225,491
<b>FUND BALANCES</b>		
Unreserved & Undesignated	\$ 730,544	\$ 1,227,132
	\$ 730,544	\$ 1,227,132
	\$ 2,177,791	\$ 2,452,623

*See Notes to Financial Statements.*



LOUISIANA STATE BOARD OF MEDICAL EXAMINERS  
DEPARTMENT OF HEALTH AND HOSPITALS  
GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
Years Ended December 31, 1995 and 1994

	1995		1994		Variance - Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
<b>Revenues:</b>					
Licenses and permits	\$ 1,850,000	\$ 1,918,108	\$ 1,722,000	\$ 1,794,658	\$ 72,658
Miscellaneous:					
Interest earned	100,000	143,151	50,000	107,413	57,413
Other	50,000	67,878	112,386	122,383	9,997
Total revenues	\$ 2,000,000	\$ 2,129,137	\$ 1,884,386	\$ 2,024,454	\$ 140,068
<b>Expenditures:</b>					
Public Safety--					
Personal services	\$ 714,144	\$ 665,462	\$ 645,530	\$ 623,984	\$ 21,546
Operating Services	1,222,876	1,256,856	1,104,331	1,178,173	(73,842)
Materials and Supplies	45,000	44,960	40,000	56,453	(16,453)
Travel and Meetings	36,150	36,757	40,335	52,997	(12,662)
Capital outlay	620,000	754,296	1,014,372	1,008,558	5,814
Total expenditures	\$ 2,638,170	\$ 2,758,331	\$ 2,844,568	\$ 2,920,165	\$ (75,597)
Excess of revenues over (under) expenditure:	(638,170)	(629,194)	(960,182)	(895,711)	64,471
Fund balance, beginning	\$ 1,227,132	\$ 1,227,132	\$ 2,024,121	\$ 2,024,121	\$
Prior period adjustments		132,606		98,722	
Fund balance, ending	\$ 588,962	\$ 730,544	\$ 1,063,939	\$ 1,227,132	\$ 163,193

See Notes to Financial Statements

## SPECIAL REVENUE FUND

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

The Clinical Laboratory Personnel Fund was authorized by the Louisiana Legislature in 1993 (R.S. 36:259DD and 919.2, R.S. 37:1270(A)(5) and Part II of Chapter 15 of title 37 of the LA. R.S. of 1950, to be comprised of R.S. 37:1311 through 1329 inclusive).

This fund is to account for the receipt and subsequent expenditure of the fees assessed to individuals engaged in the practice of clinical laboratory science in the state of Louisiana.

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS  
DEPARTMENT OF HEALTH AND HOSPITALS  
CLINICAL LABORATORY SPECIAL REVENUE FUND**

**BALANCE SHEETS  
December 31, 1995 and 1994**

	<u>1995</u>	<u>1994</u>
<b>ASSETS</b>		
Cash	\$192,189	\$86,600
NSF Checks Receivable	2,000	
	<u>\$194,189</u>	<u>\$86,600</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable	3,342	
Due to general fund	20,600	200
Deferred revenues	8,410	86,400
	<u>\$32,352</u>	<u>\$86,600</u>
<b>FUND BALANCE</b>		
Unreserved and undesignated	<u>\$161,837</u>	<u>\$0</u>
<b>Total liabilities and fund balance</b>	<u>\$194,189</u>	<u>\$86,600</u>

*See Notes to Financial Statements.*

## CLINICAL LABORATORY SPECIAL REVENUE FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE  
IN FUND BALANCE - BUDGET AND ACTUAL  
Years Ended December 31, 1995 and 1994

	1995		1994		Variance-- Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
<b>Revenues:</b>					
Licenses and permits	\$ 250,000	\$ 245,080	\$ 0	\$ 0	\$ 0
Total revenues	\$ 250,000	\$ 245,080	\$ (4,920)	\$ 0	\$ 0
<b>Expenditures:</b>					
Public Safety--					
Personal services	\$ 36,563	\$ 36,639	\$ (76)	\$ 0	\$ 0
Operating services	34,927	36,437	(1,510)	0	0
Materials and Supplies	7,500	6,749	751	0	0
Travel and Meetings	4,000	1,561	2,439	0	0
Capital outlay	9,371	1,857	7,514	0	0
Total expenditures	\$ 92,361	\$ 83,243	\$ 9,118	\$ 0	\$ 0
Excess of revenues over expenditures	157,639	161,837	4,198	0	0
Fund balance, beginning	\$ 0	0	0	0	0
Fund balance, ending	\$ 157,639	\$ 161,837	\$ 4,198	\$ 0	\$ 0

See Notes to Financial Statements

SUPPLEMENTARY INFORMATION

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS  
FOR THE YEAR ENDED DECEMBER 31, 1995

<u>Name</u>	<u>Number of Meetings Attended</u>	<u>Amount</u>
Dr. Richard M. Nunnally	18	\$ 900
Dr. Ike Muslow	20	1,000
Dr. Elmo J. Laborde	20	1,000
Dr. Bernard Kaplan	8	400
Dr. F. P. Bordelon, Jr.	16	800
Dr. Keith C. Ferdinand	15	750
Dr. Mary Lou Applewhite	13	650
Dr. Trenton James	4	200
	<u>114</u>	<u>5,700</u>
Total	\$ <u>114</u>	\$ <u>5,700</u>

WILBERT E. GUILFORD, JR.

*Certified Public Accountant*

7500 West Laverne St.

New Orleans, LA 70126

(504) 246-2195

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE RELATED MATTERS NOTED IN A  
FINANCIAL STATEMENT AUDIT CONDUCTED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

June 28, 1996

To the Board of Directors  
Louisiana State Board of Medical Examiners  
630 Camp Street  
New Orleans, Louisiana 70130

I have audited the component unit and individual fund financial statements of the Louisiana State Board of Medical Examiners for the years ended December 31, 1995 and December 31, 1994 and have issued my report thereon dated June 28, 1996.

In my report, I expressed a qualified opinion on the financial statements because I was unable to satisfy myself concerning certain expenditures questioned by the Louisiana Inspector General.

Except as noted above, I conducted my audits in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Louisiana State Board of Medical Examiners is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are expected in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements of the Louisiana State Board of Medical Examiners for the years ended December 31, 1995 and December 31, 1994, I obtained an understanding of its internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters that come to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Finding:**

The Board installed a new accounting system in August 1995 and experienced difficulties in recording expenditures. Fairly stated financial statements were not prepared on a timely basis and many adjustments were required at year end.

**Recommendations:**

The Board's accounting staff should carefully analyze the effects of transactions on the financial statements. The accounting manual should periodically be reviewed to reenforce understanding of accounting policies. The accounting manual should also be periodically updated to reflect improvements in accounting procedures.

**Management Response:**

Management is in agreement and has instituted a periodic monthly review of transaction processing.



**Finding:**

Approximately 175 refund checks were made during February and March 1996 amounting to \$17,486. These refunds were made as a result of the Board's decision not to penalize licensees because renewal notices were not mailed timely. The process of issuing these refund checks represents an inefficient use of Board resources.

**Recommendation:**

The Board should exercise care in planning for its mailing of renewal applications.

**Management Response:**

Management agrees with this assessment and notes that the problem with mailing renewals was an unusual occurrence.

**Finding:**

A Board consultant was frequently paid without submitting invoices on his letterhead. The payments were made in accordance with the terms of the contract with the consultant.

**Recommendations:**

Consultants, like vendors, should be required to send proper invoices for products or services rendered. Payments should be made only upon submission of original invoices.

**Management's Response:**

The Accounting Department will ensure that the consultant submits proper invoices in the future.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements, including those relating to compliance with laws and regulations, does not reduce to a relatively low level the risk that errors or irregularities, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I noted the following matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent, of the procedures to be performed in my audit of the financial statements.

**Finding:**

The Board's control structure failed to prevent or detect misstatements of accounting information. A number of expenditures had to be reclassified in the general ledger. An effective internal control structure includes procedures that provide reasonable assurance of preventing or detecting errors or irregularities.

**Recommendation:**

I recommend that general ledger transaction details be reviewed periodically to ensure charges are made to proper accounts.

**Management's Response:**

Management agrees and notes that both the new staff and new accounting system were not in place until the latter part of the year. Management also notes that significant improvements have been made to date. Periodic reviews have been instituted.

**Finding:**

The Clinical Laboratory's accounting system failed to provide complete and accurate output. Some deposits of licensee check payments were not made on a timely basis. Revenue and expenditure transactions were not timely and accurately recorded. Adjusting entries were needed at year which delayed the preparation of financial statements for both funds. The lack of adherence to good internal control procedures requiring timely deposits and recording of transactions to a general ledger results in the risk that errors and/or irregularities could occur, and not be detected in a timely manner.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I noted the following matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent, of the procedures to be performed in my audit of the financial statements.

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**Recommendation:**

I recommend that general ledger transaction details be reviewed periodically to ensure charges are made to proper accounts.

**Management's Response:**

Management agrees and notes that both the new staff and new accounting system were not in place until the latter part of the year. Management also notes that significant improvements have been made to date. Periodic reviews have been instituted.

**Finding:**

The Clinical Laboratory's accounting system failed to provide complete and accurate output. Some deposits of licensee check payments were not made on a timely basis. Revenue and expenditure transactions were not timely and accurately recorded. Adjusting entries were needed at year which delayed the preparation of financial statements for both funds. The lack of adherence to good internal control procedures requiring timely deposits and recording of transactions to a general ledger results in the risk that errors and/or irregularities could occur, and not be detected in a timely manner.

Recommendation:

I recommend that the Clinical Laboratory establish policies and procedures that require timely deposits and recording of revenues. The Clinical Lab should have its accounting transactions processed timely using the same accounting software as the general fund. Responsibilities for making deposits, reconciling the bank statements, and entering transactions should be segregated to the maximum extent possible.

Management Response:

Management is uncertain whether the Clinical Lab currently has the staff required to handle the accounting functions with appropriate segregation of duties. In the interim, the Board's general accounting staff is assisting as time permits.

Finding:

Procedures have not yet been established to effectively account for Non-sufficient fund checks written for renewal of licenses. The effect is that a fair accounting of receivables has not been performed and revenues may be overstated. The Board's policy of renewing licenses before checks clear the bank may increase the likelihood of NSF checks and decrease the likelihood of collection.

Recommendations:

A "Bad debt" expense account should be established (in conjunction with the NSF Receivable account). Policies and procedures should be developed to recognize losses from bad checks and adjust the receivable account accordingly. A two week waiting period should be implemented to minimize the number of renewal licenses issued before checks clear the bank.

Management Response:

Management will institute a "Bad Debt" expense account. Management also agrees to explore a process which would detain renewal licenses if checks do not properly clear.

Finding:

Insurance claims for property damaged during the flood in May 1995 were not timely filed. The Board was thus unable to recover losses incurred as a result of the flood.

Recommendation:

The Board should develop procedures to ensure compliance with Office of Risk Management requirements for filing claims. A specific employee might be designated as an "insurance monitor" who should be consulted on insured loss matters.

Management Response:

Management agrees and has designated an employee to monitor property insurance losses. Management also estimates that equipment losses during the May 1995 flood were not material.

This report is intended for the information and use of the Louisiana State Board of Medical Examiners, management and the Legislative Auditor for the State of Louisiana. This restriction is not intended to limit the distribution of this report which is a matter of public record.

*William G. Guilford Jr.*

WILBERT E. GUILFORD, JR.

*Certified Public Accountant*

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New Orleans, LA 70126

(504) 246-2195

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 28, 1996

To the Board of Directors  
Louisiana State Board of Medical Examiners  
630 Camp Street  
New Orleans, Louisiana 70130

I have audited the component unit and individual fund financial statements of the Louisiana State Board of Medical Examiners for the years ended December 31, 1995 and December 31, 1994 and have issued my report thereon dated June 28, 1996.

In my report, I expressed a qualified opinion on the financial statements because I was unable to satisfy myself concerning certain expenditures questioned by the Louisiana Inspector General.

Except as noted above, I conducted my audits in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, and contracts applicable to the Louisiana State Board of Medical Examiners is the responsibility of the Louisiana State Board of Medical Examiners' management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Louisiana State Board of Medical Examiners' compliance with certain provisions of laws, regulations and contracts. However, the objective of my audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

Material instances of noncompliance consist of failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants, that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the general purpose financial statements. The results of my tests disclosed the following material instances of noncompliance:

A former employee of the Board is under investigation by the Louisiana State Inspector General's office for unauthorized expenditures of Board funds. The Inspector General is questioning \$24,296 of expenditures the employee made in 1995 and \$27,765 from 1994. The Inspector General has questioned expenditures dating from 1987 through 1995 totalling \$126,919.

An adequate inventory of fixed assets was not performed. Though there was a physical inventory conducted on September 29, 1995, it did not adequately describe all fixed assets.

Louisiana Asset Management Laws (R.S. 39:324) requires that a master file of movable property be maintained. It further states that the file shall contain the item description, serial number, location of I.D. mark, cost, and the item location. No dollar threshold is specified.

Property Control regulations requires an inventory only on assets costing more than \$250.

An inventory should be conducted near December 31 of each year for the following three major categories of assets: Office Equipment, Office Furniture, and Building improvements. These separate inventories should reflect the item description, cost, dates of purchase and disposition, if applicable. In addition, physical locations, serial numbers, locations of I.D. numbers and tag numbers should be listed for office furniture and office equipment.

The results of my tests disclosed the following immaterial instances of noncompliance:

State and federal payroll tax returns were not timely submitted and the Board was assessed interest and penalties amounting to \$17,326.

Five travel vouchers totalling \$3,513 were examined. Of these, \$255 of hotel and meal costs were in excess of state allowable rates. One bank credit card charges the Board 18% interest while the American Express card is interest free.

The Board should issue a memo outlining current state travel regulations and allowable rates for lodging and meals. Travellers should use government discounts to the maximum extent possible when travelling on Board business. Vendors will often waive sales taxes when requested to do so. The Board should negotiate for lower interest rates on credit cards or use the American Express card as much as possible.

LA R.S. 26:515 provides that sufficient accounting records be maintained which leave trails sufficient that the records can be used to produce financial statements, provide evidence for legal compliance, and provide evidence for independent audit. As discussed in my report on internal controls, The Clinical Laboratory Fund failed to process transactions timely. This hampered the board's ability to timely prepare its financial statements which are essential for the conduct of an audit.

This report is intended for the information and use of the Board of Directors, management and the Legislative Auditor for the State of Louisiana. This restriction is not intended to limit the distribution of this report which is a matter of public record.

*Vilbert E. Guilford, Jr.*



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LOUISIANA STATE BOARD OF MEDICAL EXAMINERS

DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA

FINANCIAL REPORT

DECEMBER 31, 1995

under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 03 1996

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS  
INDEX TO REPORT  
DECEMBER 31, 1995

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INDEPENDENT AUDITOR'S REPORT

June 28, 1996

To the Board of Directors  
Louisiana State Board of Medical Examiners  
630 Camp Street  
New Orleans, Louisiana 70130

I have audited the component unit financial statements of the Louisiana State Board of Medical Examiners and the individual fund financial statements of the Board as of and for the years ended December 31, 1995 and December 31, 1994, as listed in the index to this report. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on the financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates used by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my report dated July 27, 1995, I expressed an unqualified opinion on the financial statements for the period ended December 31, 1994. As discussed in note 9, the Louisiana Inspector General is questioning expenditures of \$24,296 for the period ended December 31, 1995 and \$27,765 of expenditures during the period ended December 31, 1994.

In my opinion, except for the effects of the adjustments, if any, concerning the expenditures discussed in the previous paragraph, the component unit financial statements and the individual fund financial statements present fairly, in all material respects, the financial position of the Louisiana State Board of Medical Examiners at December 31, 1995 and December 31, 1994, and the results of operations for the years then ended in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole and on the individual fund financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Louisiana State Board of Medical Examiners.

Such information has been subjected to the auditing procedures applied in the audit of the component unit and individual fund financial statements and, in my opinion, except for the effects of the adjustments, if any, regarding the expenditures discussed above is fairly stated in all material respects in relation to the component unit financial statements and the financial statements of each of the respective individual funds, taken as a whole.

*Willard E. Guilford Jr.*

COMPONENT UNIT FINANCIAL STATEMENTS

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS  
DEPARTMENT OF HEALTH AND HOSPITALS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

Exhibit A

DECEMBER 31, 1995

(With Comparative Totals for December 31, 1994)

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	General Fixed Assets	General Long-Term Debt	1995	1994	
<b>ASSETS AND OTHER DEBITS</b>							
<b>ASSETS</b>							
Cash	\$ 1,130,023	\$ 192,189	\$		\$ 1,322,212	\$ 887,068	
Investments	1,000,000				1,000,000	1,621,562	
Accrued interest	7,612				7,612	5,530	
NSF Checks and Foreign Items	0	2,000			2,000	13,113	
Building, Furn., & Equip., at cost	0		2,137,978		2,137,978	1,383,682	
Due From Special Revenue Fund	20,600				20,600	200	
Other Assets	19,556				19,556	11,750	
<b>OTHER DEBITS</b>							
Amount to be provided for compensated absences				28,799	28,799	26,370	
Total assets and other debits	\$ 2,177,791	\$ 194,189	\$ 2,137,978	\$ 28,799	\$ 4,538,757	\$ 3,949,275	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 121,133	\$ 3,342	\$		\$ 124,475	\$ 60,253	
Due to General Fund		20,600			20,600	200	
Escrow Account	0				0	141,653	
Payroll Taxes & Withholdings Payable	4,784				4,784	13,124	
Wages Payable	0				0	19,665	
Deferred revenues	1,305,605	8,410			1,314,015	1,064,225	
Compensated absences	15,725			28,799	44,524	39,341	
Total liabilities	\$ 1,447,247	\$ 32,352	\$	\$ 28,799	\$ 1,508,398	\$ 1,338,461	
<b>EQUITY AND OTHER CREDITS</b>							
Investment in general fixed assets	\$ 0	\$	\$ 2,137,978	\$	\$ 2,137,978	\$ 1,383,682	
Fund balances:							
Unreserved & Undesignated	730,544	161,837			892,381	1,227,132	
Total equity and other credits	\$ 730,544	\$ 161,837	\$ 2,137,978	\$ 0	\$ 3,030,359	\$ 2,610,814	
Total liabilities, equity and other credits	\$ 2,177,791	\$ 194,189	\$ 2,137,978	\$ 28,799	\$ 4,538,757	\$ 3,949,275	

See Notes to Financial Statements

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS  
DEPARTMENT OF HEALTH AND HOSPITALS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCES – ALL GOVERNMENTAL FUND TYPES  
Year Ended December 31, 1995  
(With Comparative Totals for the Year Ended December 31, 1994)**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>	
			<u>1995</u>	<u>1994</u>
<b>Revenues:</b>				
Licenses and permits	\$ 1,918,108	\$ 245,080	\$ 2,163,188	\$ 1,794,658
Miscellaneous—				
Interest earned	143,151		143,151	107,413
Other	67,878		67,878	122,383
	<u>2,129,137</u>	<u>245,080</u>	<u>2,374,217</u>	<u>2,024,454</u>
Total revenues				
<b>Expenditures:</b>				
Public Safety—				
Personal services	\$ 665,462	\$ 36,639	\$ 702,101	\$ 623,984
Operating Services	1,256,856	36,437	1,293,293	1,178,173
Materials and Supplies	44,960	6,749	51,709	56,453
Travel and Meetings	36,757	1,561	38,318	52,997
Capital outlay	754,296	1,857	756,153	1,008,558
	<u>2,758,331</u>	<u>83,243</u>	<u>2,841,574</u>	<u>2,920,165</u>
Total expenditures				
Excess of revenues over (under) expenditures	(629,194)	161,837	(467,357)	(895,711)
<b>Other Uses:</b>				
Operating transfer out (to oversight unit)	\$	\$	\$ 0	\$ 0
Excess of revenues (under) expenditures and other uses	\$ (629,194)	\$ 161,837	\$ (467,357)	\$ (895,711)
Fund balance, beginning	1,227,132		1,227,132	2,024,121
Prior period adjustments (Correction of errors)	132,606		132,606	98,722
Fund balance, ending	<u>\$ 730,544</u>	<u>\$ 161,837</u>	<u>\$ 892,381</u>	<u>\$ 1,227,132</u>

*See Notes to Financial Statements*

**LOUISIANA STATE BOARD OF MEDICAL EXAMINERS  
DEPARTMENT OF HEALTH AND HOSPITALS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
Year Ended December 31, 1995**

	General Fund		Special Revenue Fund		Variance - Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
<b>Revenues:</b>					
Licenses and permits	\$ 1,850,000	\$ 1,918,108	\$ 250,000	\$ 245,080	\$ (4,920)
Miscellaneous:					
Interest earned	100,000	143,151			0
Other	50,000	67,878			0
Total revenues	\$ 2,000,000	\$ 2,129,137	\$ 250,000	\$ 245,080	\$ (4,920)
<b>Expenditures:</b>					
Public Safety-					
Personal services	\$ 714,144	\$ 665,462	\$ 36,563	\$ 36,639	\$ (76)
Operating Services	1,222,876	1,256,856	34,927	36,437	(1,510)
Materials and Supplies	45,000	44,960	7,500	6,749	751
Travel and Meetings	36,150	36,757	4,000	1,561	2,439
Capital outlay	620,000	754,296	9,371	1,857	7,514
Total expenditures	\$ 2,638,170	\$ 2,758,331	\$ 92,361	\$ 83,243	\$ 9,118
Excess of revenues over (under) expenditures	(638,170)	(629,194)	157,639	161,837	4,198
<b>Other uses:</b>					
Operating transfer out (to oversight unit)					0
Excess of revenues over (under) expenditures and other uses	\$ (638,170)	\$ (629,194)	\$ 8,976	\$ 157,639	\$ 4,198
Fund balance, beginning	1,227,132	1,227,132			
Prior period adjustments		132,606			
Fund balance, ending	\$ 588,962	\$ 730,544	\$ 141,582	\$ 157,639	\$ 4,198

See Notes to Financial Statements



## NOTES TO FINANCIAL STATEMENTS

### Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Louisiana State Board of Medical Examiners is a component unit of the State of Louisiana created within the Louisiana Department of Health and Hospitals, as provided by Louisiana Revised Statutes 37:1261-1292. The Board is composed of 7 members, appointed by the Governor, who serve terms of six years. It is charged statutorily with the responsibility of administering practice acts providing for the licensure of Doctors of Medicine, Doctors of Osteopathy, Doctors of Podiatry, Physician Assistants, Occupational Therapists, Occupational Therapy Assistants, Respiratory Therapists, Respiratory Therapy Technicians, Midwives, Athletic Trainers, Radiological Technologists, Emergency Medical Technicians (Intermediate and Paramedic) and Clinical Laboratory Technicians. Operations of the Board are funded with license and renewal fees from the classifications listed.

The Louisiana State Board of Medical Examiners prepares its financial statements in accordance with standards established by the Governmental Accounting Standards Board (GASB). GASB No. 14 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The accompanying statements present only transactions of the Louisiana State Board of Medical Examiners, a component unit of the State of Louisiana.

Annually, the State of Louisiana issues general purpose financial statements which include the activity contained in the accompanying financial statements. The general purpose financial statements are issued by the Louisiana Division of Administration-Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

### FUND ACCOUNTING:

The accounts of the Louisiana State Board of Medical Examiners are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The fund presented in the financial statements is described as follows:

## NOTES TO FINANCIAL STATEMENTS

### Governmental fund types:

#### General Fund

The General Fund is the principal fund and is used to account for the general operations of the Board. The various fees and charges due the Board are accounted for in this fund. General operations expenditures are paid from this fund.

#### Special Revenue Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

### Account Groups

#### General Fixed Assets and General Long-Term Debt Account Group

Fixed assets used in the governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Depreciation has not been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost.

Long-term debt expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

The two accounts groups are not "funds". They are concerned only with the measurement of financial position, not with the measurement of results of operations.

#### BASIS OF ACCOUNTING:

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Board's records are maintained on a modified accrual basis of accounting. The modified accrual basis of accounting utilizes the following practices:

## NOTES TO FINANCIAL STATEMENTS

### Revenues:

Revenues are recognized when they become measurable. All revenues are susceptible to accrual. Renewal notices for 1995 were mailed on November 1994, were payable by December 31, 1994, and became delinquent on January 1, 1995. Renewal fees for 1996 received in 1995 are deferred and will be recognized as revenue in 1996.

### Expenditures:

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

### BUDGET PRACTICES:

The Board adopts a budget annually for the General and Special Revenue Funds. The Board is a state Licensing agency subject to the Licensing Agency Budget Act established by Louisiana Revised Statutes 39:1331 et al. The 1995 budget was adopted on December 7, 1994. The budget was prepared on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts included in the accompanying financial statements are the final authorized amounts as revised during the year. Unused appropriations for all of the budgeted funds lapse at the end of the year. The Louisiana State Board of Medical Examiners approves the budget and any revisions. Periodically, individual items of budgeted revenues and expenditures are compared to actual amounts.

### ENCUMBRANCES:

Encumbrance accounting, under which purchase orders for expenditures are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Board.

### TOTAL COLUMNS ON COMBINED STATEMENTS:

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles.

Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.